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SUBJECT: SADC MINING MINISTERS MEET IN DRC (C-AL9-02272)

REF: (A) STATE 114484; (B) KINSHASA 399;
(C) 2008 KINSHASA 1101

1. (SBU) Summary: In response to ref A, Econoff attended the opening and closing ceremonies of the South African Development Community (SADC) Mining Ministers Meeting on November 12 in Kinshasa. During the meeting, mining ministers discussed greater harmonization of mining standards and policies, creation of a trust fund to mitigate the effects of the global financial crisis on the mining sector, Zimbabwe's participation in the Kimberly Process, and coordination of SADC's position on climate change in advance of the Copenhagen conference. The real challenge for those attending the meeting will be to implement the decisions they adopted. End summary.

BACKGROUND

2. (U) A meeting of mining experts from member governments of the Southern African Development Community (SADC) region took place on November 10-11 in Kinshasa, followed by a Mining Ministers Meeting on November 12. Participants included members of the Mining Industry Associations of Southern Africa (MIASA), which is an association of national mining employer organizations and chambers based in SADC member states that serves as a forum for information sharing, formulating common policies on issues of mutual interest, and acting as the official interface between the mining industry in the region and the SADC Committee of Mining Ministers. Two representatives from the Congolese Chamber of Commerce (FEC) also attended the meeting. Representatives from 16 banks were also present. DRC Minister of International and Regional Cooperation Raymond Tshibanda represented DRC President Joseph Kabila, who is currently the SADC President, at both opening and closing ceremonies. DRC Minister of Mines Martin Kabwelulu chaired the Kinshasa meeting. The level of representation at the Mining Ministers Meeting was as follows: The Ministers of Mines of Malawi and Mozambique attended, while South Africa, Swaziland, and Tanzania sent senior officials. A senior official and the Ambassador from Angola participated, as well as the Zimbabwean Vice Minister of Mines. The following countries' representatives did not show up at the Mining Ministers meeting: Botswana, Lesotho, Namibia, and Zambia. In addition, Mauritius and the Seychelles did not send representatives because they do not perform mining activities. (Note: The SADC current leadership has suspended Madagascar from its fora for political reasons. End note.)

3. (U) At the opening ceremony, Kabwelulu noted that at the last ministerial meeting which took place three years ago in Antananarivo, Madagascar in March 2006, SADC ministers of mines discussed mining policies, mining investment rules, the political, economic and social environment in mining, fiscal and customs regimes, and the administration of mines. Very few mining ministers attended the March 2006 meeting and most countries sent senior officials, instead, according to the DRC Vice Minister of Mines Victor Kasongo. (Note: The SADC news archives website indicated

that the March 2006 meeting was attended by ministers and senior officials from 11 member states: Angola, Botswana, Lesotho, Madagascar, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. End note.) In July 2006, a conference of SADC Ministers of Finance confirmed a harmonization framework. The SADC ministers of mines with the support of the U.N. Economic Commission subsequently proposed a strategic vision in Addis Ababa, called the "African Mining Vision." Kabwelulu explained that the "African Mining Vision" aimed at creating transparency in the mining sector and promoting the optimal use and equitable distribution of mineral resource wealth in order to reduce poverty in Africa. He mentioned that within SADC, the mining sector alone comprises 60 percent of each country's exports, 10 percent of their GDP and 5 percent of their employment.

¶4. (U) The purpose of the November 2009 SADC Mining Ministers Meeting was to harmonize mining standards, policies and regulations within the SADC region; to mitigate the impact of the global financial crisis on the mining sector and to update the SADC region's geological maps. In his opening remarks, Tshibanda emphasized that the African mining sector needed to develop a rational mineral resource management plan, increase exports and develop African capacity to process more minerals at home in order to be competitive in the international marketplace.

¶5. (U) At the closing ceremony, the SADC Executive Director announced the decisions which were made at the Mining Ministers Meeting, which included: (1) harmonizing mining standards and policies in order to attract investment and avoid problems such as double taxation; (2) creating a trust fund to mitigate the impact of the global financial crisis on the mining sector; (3) organizing

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artisanal miners into cooperatives and encouraging them to work in the agricultural sector instead; (4) coordinating SADC's position on the use of coal so it is compatible with the upcoming Copenhagen conference on climate change; (5) supporting Zimbabwe's participation in the Kimberly Process for Diamonds; (6) improving infrastructure and border control; (7) updating SADC region geological maps; (8) increasing the level of information sharing in the mining sector; (9) promoting greater equality in mining in countries where it was illegal for women to work in the mine; and (10) holding the next SADC Mining Ministers Meeting in Malawi in November 2010.

Harmonization of Mining Standards and Policies

¶6. (U) Two decisions taken by the Mining Ministers concern the greater harmonization of mining standards and policies. The President of FEC's National Judicial Commission Marcel Malengo Baeleabe indicated that countries want to attract more investment and that uniform mining standards and laws across the region would help achieve this objective. He cited the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty as an example. In order to reinforce common standards throughout the SADC region, mining ministers pushed for greater information sharing among experts, especially regarding best practices. Malengo warned that currently not all mining companies have the same standards, regarding working conditions and corruption. Mining codes must be fully applied, according to Malengo. He believed that failure to fully implement the 2002 Mining Code has lead to many administrative, tax and legal problems in DRC's mining sector.

¶7. (U) The ministers urged greater harmonization of mining policies and making them more uniform. For example, at present, each of the SADC ministers has a different area of responsibility: in South Africa, the finance minister has more control over the mining sector than in the DRC. Some mining ministers are also in charge of the energy sector. Vice Minister of Mines Victor Kasongo recommended that all Ministers of Finance and Mines should meet regularly and cooperate with each other more on issues. He also advocated for the establishment of an information clearinghouse to counter the effect of high inflation in the region.

¶18. (U) A second mining policy issue is that of double-taxation. FEC's Vice President of Mines Simon Tuma-Waku highlighted the fact that different countries have different fiscal regimes. Even within the DRC, the specter of double-taxation has arisen. Tuma-Waku complained that the DRC Tax Authority is currently dysfunctional and that often it does not know how much revenues it is collecting for different services. The public finance management system, thus, needs to be properly automated. Malengo explained that many provincial governments have created their own tax authority which is separate from the central government's tax authority and that they have levied separate taxes on mining companies, which are not authorized in the 2002 Mining Code. Nevertheless, FEC observed that if the central government fully respected the retrocession rule, in which 40 percent of federal taxes are sent back to the provinces, this problem of double taxation would be alleviated.

Zimbabwe in the Kimberly Process

¶19. (SBU) Kasongo told Econoff that during the meeting Zimbabwe expressed willingness to participate in the Kimberly Process (KP) for certifying diamonds, but requested assistance from other SADC countries. He informed Econoff that a monitor will be appointed to assist Zimbabwe in certifying diamond exports and that Zimbabwe would submit a progress report during the next KP meeting in June 2010 in Tel Aviv. He announced that the DRC will be deputy chair of the Kimberly Process in 2010.

Financial Support Networks

¶10. (U) The mining sector has been devastated by the global financial crisis. According to FEC Vice President for Mines Simon Tuma-Waku, the price of copper was USD 8,000-9,000 per ton before the crisis. The price plummeted below USD 3,000 per ton in March 2009 and is currently around USD 6,000 per ton. Post has reported that between 200,000 -400,000 people in the Katanga Province alone have lost their jobs (reftel B), and at least 40 businesses have halted or closed their operations in the Katanga province alone (reftel C). The IMF had revised its earlier GDP growth forecast in 2009 from double digits to 2.7 percent.

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¶11. (U) In order to buffer against future shocks, the mining ministers talked about establishing a "trust fund" to help the mining sector. However, the trust fund is still in the conception phase. Kasongo admitted that no decisions have yet been taken about contributions to the fund, how it would be operated or how distributions would be made. He stated that the mining ministers also considered the financing of local entrepreneurs in the mining sector, but no solutions were found and even South Africa has had difficulty with this issue. Finally, the mining ministers opined that artisanal miners should organize themselves into cooperatives in order to achieve an optimum level of small-scale mining and greater access to credit. Kasongo believed that artisanal miners should furthermore be encouraged to enter agriculture in order to take off pressure from the mining sector.

Climate Change

¶12. (U) Kasongo reported that Mozambique took the lead during the Mining Ministers Meeting in discussions on SADC's position on the upcoming Copenhagen meeting on the environment. He said that SADC countries agreed that they should be able to use coal for power generation. On the other hand, they want to coordinate the use of coal so that it is compatible with climate change considerations. The DRC, which has no coking coal, wants to receive carbon credits for not burning coal from its rainforest.

¶13. (U) Note: The GDRC will release the official report on the SADC Mining Ministers Meeting on December 1. Post will provide a

copy of the report by e-mail upon request. End note.

¶14. (SBU) Comment: Conclusions reached during the SADC Mining Ministers meeting look great on paper, but the real test will be in their implementation. More harmonized and transparent mining standards and policies would help boost investor confidence. Limiting greenhouse gas emissions from coal-generated power in the Congo Basin, the second largest rainforest in the world, would go a long way toward achieving goals set out in the upcoming Copenhagen environment conference. Zimbabwe's active engagement in the Kimberly Process would be welcome in the effort to prevent conflict diamonds from entering global markets. However, establishment of a trust fund and improvement of infrastructure will require more time because of financial and logistical constraints. End comment.

GARVELINK